

MULTIMEDIA



UNIVERSITY

STUDENT ID NO

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# MULTIMEDIA UNIVERSITY

## FINAL EXAMINATION

TRIMESTER 1, 2018/2019

### BAC2654 – PUBLIC SECTOR ACCOUNTING

( All sections / Groups )

27 OCTOBER 2018

9.00 a.m – 12.00 p.m

( 3 Hours )

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#### INSTRUCTIONS TO STUDENTS

- (a) This question paper consists of **THREE** printed pages excluding cover page with **FOUR** questions only.
- (b) Answer **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
- (c) Write your answers in the Answer Booklet provided.

**QUESTION 1**

The 2018 Budget was formulated in line with the 11<sup>th</sup> Malaysian Plan and this is the third Budget under the Plan.

**Required:**

- (a) Distinguish the roles of the Government, Treasury and Parliament in the budget formulation process for the Malaysian Federal Government. (20 marks)
- (b) Explain FIVE disadvantages of Traditional Budgeting System. (5 marks)

**[TOTAL 25 MARKS]**

**QUESTION 2**

Public sector audit has experienced considerable expansion throughout the world. The reason for this is closely related to changes in the structure of government and concern for more accountable and transparent governance, which has resulted in a large increase in the number of accounts and sophistication of financial reporting. The expansion has brought with it an added demand for accountability (Dowdall, 2003).

**Required:**

- (a) Attribute the public sector audit report under Audit Act 1957. (8 marks)
- (b) Illustrate performance audit and how it provides benefit to the public sector. (11 marks)
- (c) Diagnose how "Programme Agreement and Exception Reports" may improve accountability. (6 marks)

**[TOTAL 25 MARKS]**

**Continued...**

**QUESTION 3****Public sector accounting is set to be transformed as Malaysia adopts an accrual accounting system under the MPSAS framework**

The federal and state governments (and their related agencies, bodies and local authorities) have long used modified cash accounting, where financial transactions are accounted for and recorded when there is an inflow or outflow of cash in the reporting period. Under the modified cash accounting basis, assets are not capitalised and liabilities are not reported in the financial statements. However, this will soon be a thing of the past in Malaysia as both the federal and state governments are currently transitioning (in phases) to accrual accounting under the Malaysia Public Sector Accounting Standard (MPSAS) framework.

The implementation of accrual accounting is in tandem with the government's Public Sector Transformation Policy under the New Economic Model and the implementation of outcome-based budgeting (OBB) by the government. It is envisaged that the adoption of accrual accounting in the public sector (together with OBB) will have a significant effect on good fiscal management and improve the effectiveness of financial management and accounting of federal and state governments.

*(Source: Malaysia edition of Accounting and Business magazine, April 2018)*

**Required:**

- (a) Describe **THREE** benefits of accrual accounting in public sector. Support your explanation by providing example of agencies that adopts accrual accounting. (9 marks)
- (b) List **FIVE** ways to improve accountability in public sector. (10 marks)
- (c) State **THREE** barriers in implementing performance measurement system. (6 marks)

**[TOTAL 25 MARKS]**

**Continued...**

**QUESTION 4**

The objectives of financial statements are to provide information that is useful to a wide range of users in making and evaluating decisions about the allocation of resources, and to demonstrate the accountability of the government for the resources entrusted to it. Governments need to step up and provide information that delivers real insight into public financial management and decision making.

*(Source: PricewaterhouseCoopers, 2015)*

**Required:**

- (a) Discover **SIX** users and their needs for the government's financial information. (12 marks)
- (b) Assess why government accounting systems and procedures is important for the public sector. (8 marks)
- (c) Distinguish between "Accountant General" and "Accounting Officer", elaborate your answer with relevant article. (5 marks)

**[TOTAL 25 MARKS]**

**End of Paper**

